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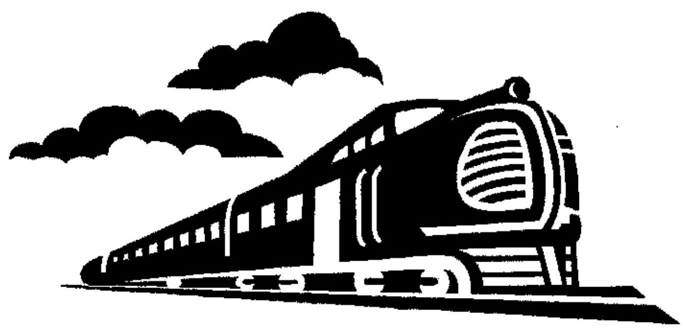

♦ SURFACE TRANSPORTATION BOARD

♦ SPECIAL PUBLIC HEARING

♦ STB EX PARTE NO. 582

♦ MARCH 10, 2000

♦ WASHINGTON D.C.

♦

♦ PRESENTATION AND COMMENTS

♦ BY

♦ DAN UTTECH

♦ NEW VISION COOPERATIVE

♦ WORTHINGTON, MINNESOTA

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RECEIVED FEB 24 2000 MAIL MANAGEMENT STB

VIEWS ON MAJOR RAIL CONSOLIDATIONS
STB Ex Parte No. 582

BNSF/CN
STB Finance Docket No. 33842

Members of the Surface Transportation Board:

My Name is Dan Uttech. I am the Grain Division Manager at New Vision Cooperative, Worthington, Minnesota, and have 21 years experience in grain marketing and elevator operations management. New Vision Cooperative is located in southwestern Minnesota serving nearly 2,600 farmer owners in the counties of Cottonwood, Jackson, Murray, Nobles, Rock, Brown, and Watonwan. Local communities served by New Vision include: Brewster, Dundee, Fulda, Heron Lake, Jeffers, Mountain Lake, Reading, Windom, and Worthington. We are served at 5 of our 9 locations by the Union Pacific Railroad, including 100 car shuttle loading facilities at our Heron Lake and Brewster locations, with the other 4 locations limited to truck transportation. Annual sales for New Vision will average 100 million dollars. Products handled include: corn, soybeans, feed, liquid and dry fertilizer and crop protectants. Our primary destination markets for grain include the Pacific Northwest, Louisiana Gulf, Texas Gulf, and Mexico. Due to our geographic location and being as far away from these markets as anyone, dependable rail transportation is vital to the operation and timely grain movement for our farmer owners. The financial success and service to our customers is highly dependent on efficient rail transportation. Our annual volume consists of outbound shipments of 7,500 carloads of corn and soybeans each year along with inbound receipts of 75 cars of dry fertilizer and 100 cars of liquid fertilizer. This volume equates to over 21million dollars in rail transportation costs each year which was a significant 21.7% of our annual gross sales during our past fiscal year, 1998-99.

I support the STB's decision, in the BNSF/CN docket, to examine carefully the BNSF/CN proposed control application, including all of the effects it could have on the rail transportation industry. The Board should not look at the BNSF/CN transaction as a single corporate change, but rather one that may effect many aspects of our country. Rail transportation should be viewed in the eyes of what is best for the "general public" not just as what may be improved earnings to shareholders of a corporation. It should consider the effects that additional mergers and consolidations in the rail industry will have on shippers, end users, and in the case of the farmers of southwest Minnesota, what prices they will receive for their grain. In the end, rail transportation is a significant portion of the food costs for many Americans!

I also applaud the Board for its decision to solicit public comments, to hold a hearing, prior to the filing of the BNSF and CN application, to address the efforts of the BNSF/CN transaction and potential future rail consolidations on the structure of the rail industry in North America. The March hearings in Ex Parte 582 offer a good opportunity for the Board to address the kinds of evidence it should consider when it turns its attention to evaluating the BNSF/CN proposal.

Any major rail consolidation now or in the immediate future would be extremely unfortunate! The rail industry is still adjusting from the last round of mergers which began with the Burlington Northern's purchase of the Sante Fe and the Union Pacific's merger with the Southern Pacific. Not all of the proposed benefits of those mergers have been realized or accomplished yet. The industry needs to stabilize and improve its overall operations before additional consolidations or acquisitions are undertaken. While service has been improving recently, I sincerely believe that if rail shippers were polled regarding additional rail mergers and consolidations at this time, their response would be overwhelmingly to maintain the status quo for now. Let's give the past combinations time to work and maximize the benefits with our existing Class 1 rail carriers.

My company has experienced the effects of service disruptions caused by the previous mergers of the Union Pacific and the Chicago Northwestern, and the Union Pacific and the Southern Pacific railroads. In both instances, car costs increased due to a tight car supply caused mainly by inefficient operations and severe delays in timely car placements. This resulted in severe damages to our company and it's owners due to late grain shipments, the added costs of piling grain on the ground waiting for rail freight arrival, additional shrink on our grain inventory, interest expenses on company owned grain, and discounts due to quality deterioration. It also prevented our farmers from delivering contracted grain and generating cash needed in their operations during financially stressed times due to low commodity prices. Our company was unable to empty our elevators prior to harvest, which once again resulted in service delays to our customers and additional challenges for them in harvesting their crops.

More mergers and consolidations are unnecessary at this time. The rail industry has already shrunk to 5 to 6 major railroads. This new structure and rapid advances in information and equipment technology offer the rail industry opportunities to improve their service without mergers. They should now concentrate on pursuing cooperative initiatives with the goals of improved interchange service, coordinated dispatching and operations in complex rail terminal areas, and the most effective utilization of our modern information technology to better serve all rail customers!

Our company needs the following from our rail carriers now and in the future:

- Competitive rates that are responsive to market changes and demands
- An adequate car supply with programs that are fair and equitable to both the rail customer and the rail carrier
- Consistent, dependable and timely service

Competition promotes efficiency and is healthy for all businesses. Would our rates be as competitive in the future if we have only 2 main rail carriers in the United States? Will loading origins and destination end users be better served by less transportation providers? The answer is clearly "No!" The recent consolidations of the major grain companies clearly have shown that fewer players in a market result in less aggressive bids, lower service levels, uncertain car supplies and placements, greater shipping risks, and ultimately less grain income for our farmers.

Car supply programs presently favor the rail carrier's as they are able to manipulate the available car supply to a certain degree and thereby regulate the value of car vouchers, certificates of transportation (C.O.T), and guaranteed pool cars. Rail carriers are guaranteed tariff or $0 value on both pool and voucher cars. Rail shippers are forced to pay price premiums to secure rail cars for loading when the car supply is tight and car values are trading above tariff. When the car supply is surplus and rail car price premiums are negative or below tariff, rail carriers have the option of parking the cars and not making them available to the rail shippers. I do not believe this was the intent of the STB when the present voucher and COT car allocation programs were approved, but this is what we now have. Rail carriers should be required to allocate cars in equal amounts to voucher and COT offerings throughout the calendar year and share in both the good and bad times of car ownership as the rail car market moves above and below tariff with the supply and demands of the marketplace.

Consistent, dependable, and timely service are a necessity for a company such as ours that almost totally relies on rail transportation for grain shipments. The lack of dependable and timely service on a regular basis can literally bring elevator operations to a stand still. When this happens, it is inevitable that the farming operations of our customer owners will also be slowed or brought to a halt. This was evident as recently as August of 1999, during which time we were unable to receive farmer grain for weeks due to rail car placement delays. Ironically, this August delay was created when a connecting rail carrier announced a work curfew without notice. The track and rail bed repairs took 8 weeks to complete and sent rail transportation in southwest Minnesota into a tailspin during a seasonal time of heavy grain movement! During harvest, this can be extremely crucial and result in field losses and economic hardships to farmers already in a financial survival struggle due to prices that barely cover their production costs.

Merger implementation is obviously a multi-year process that consumes attention and resources of the merging railroads' management. My company has worked and suffered through disruption of rail service following past mergers. The shipper community deserves a period of stability in the rail industry during which the railroads concentrate on completing and delivering all of the benefits proposed prior to the mergers previously approved by the STB. While significant progress has been made in recent months, the room for improvement and consistency still exists to a large degree!

In closing, I would like to express the appreciation of the farmers of southwest Minnesota for inviting me to participate in this hearing and represent them in the capital of this great country. The travel and time expenses to attend this hearing were substantial for a small rural business such as New Vision, but the importance of presenting our thoughts and concerns to this Board were deemed vital to our future and also the stability of our farmer owners.

I would like to leave you with the following points to remember as you determine the future status and direction of the rail industry:

- **We, the United States need to keep the financial health of our major railroads as a priority of any future action. Rail transportation is a vital link in our food supply chain and the economy in general. Competition is necessary to ensure that single party control is kept in check and that the public interests are always considered. The rail infrastructure of our country is the envy of many in today's world. We need to use and develop this great asset to it's fullest potential. Profitable railroads that can upgrade equipment to take advantage of new technology, enhance car velocity and efficiency, and integrate a state of the art information systems will benefit not only their shareholders, but the entire country.**

- **Rail shippers need to be guaranteed reliable and easy access to all possible markets for their products. In the case of American farmers, promoted and developed in an aggressive manner, this could result in better commodity prices, higher net farm income, and eventually less dependence on the USDA for commodity assistance payments.**

- **The focus of major U.S. railroads needs to be adjusted to its customers and users. In the past, shareholders of the publicly held railroads have encouraged mergers, acquisitions, and the overall direction of our railroads, all for financial gains. A focus on coordinated efforts to improve the rail transportation system for the good of the general public would accomplish several things including: improved returns on the huge investments of rail shippers across the country, in New Vision's instance this amounts to over $20,000,000; reduced fuel usage since rail transportation is the most efficient mode of transportation with the exception of water, which is not an option in most areas; lower food costs for American consumers; possibly a mode of travel now ignored by most, due to past performance which was unreliable and expensive.**

Thank you once again for your time and very considerate attention! I would welcome questions or comments now or following this hearing.

Dan Uttech
New Vision Co-op
Grain Division Manager
P.O. Box 877
Worthington, MN 56187

Phone: 507-376-4304
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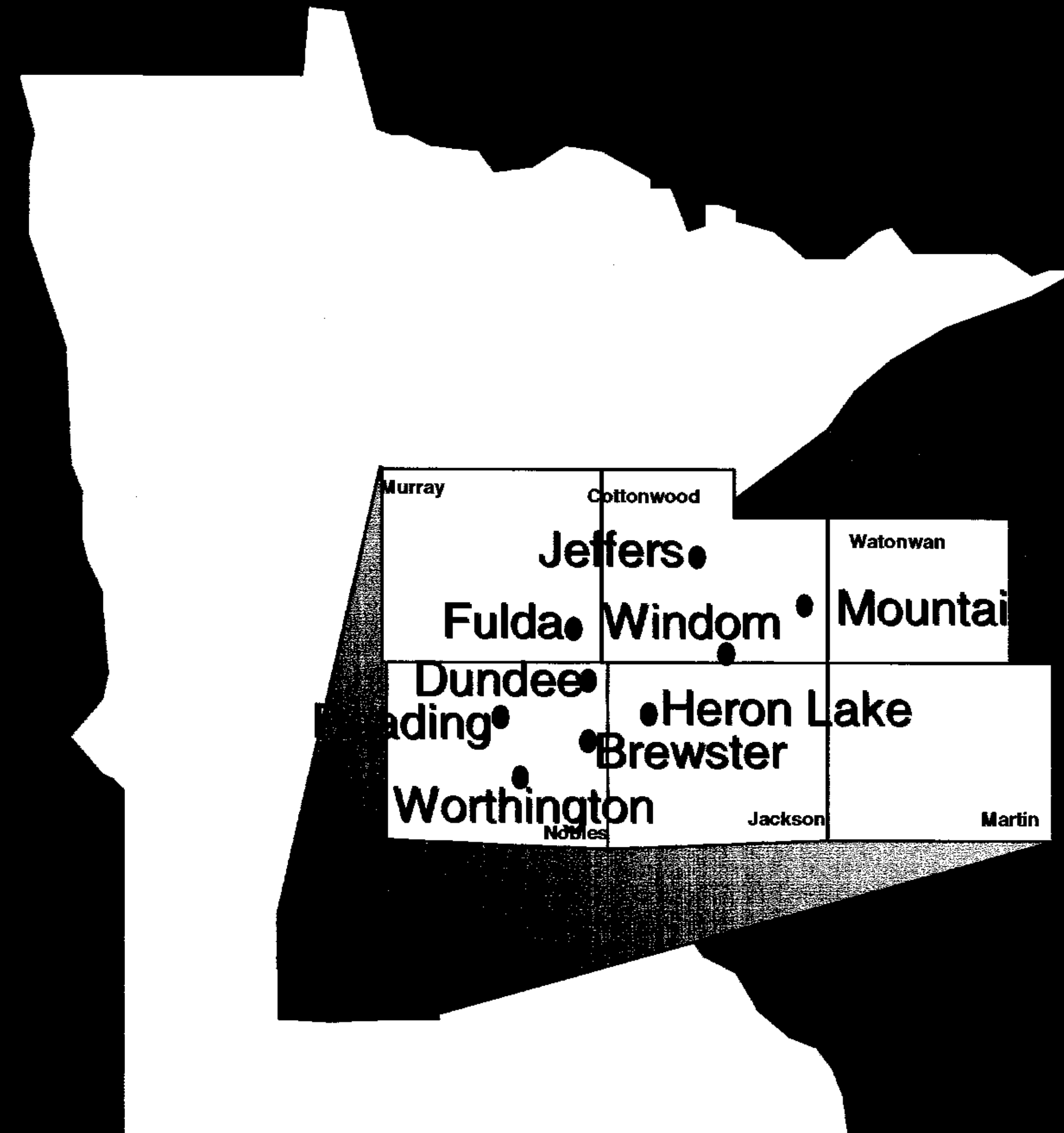
Attachment A: State Map of Minnesota

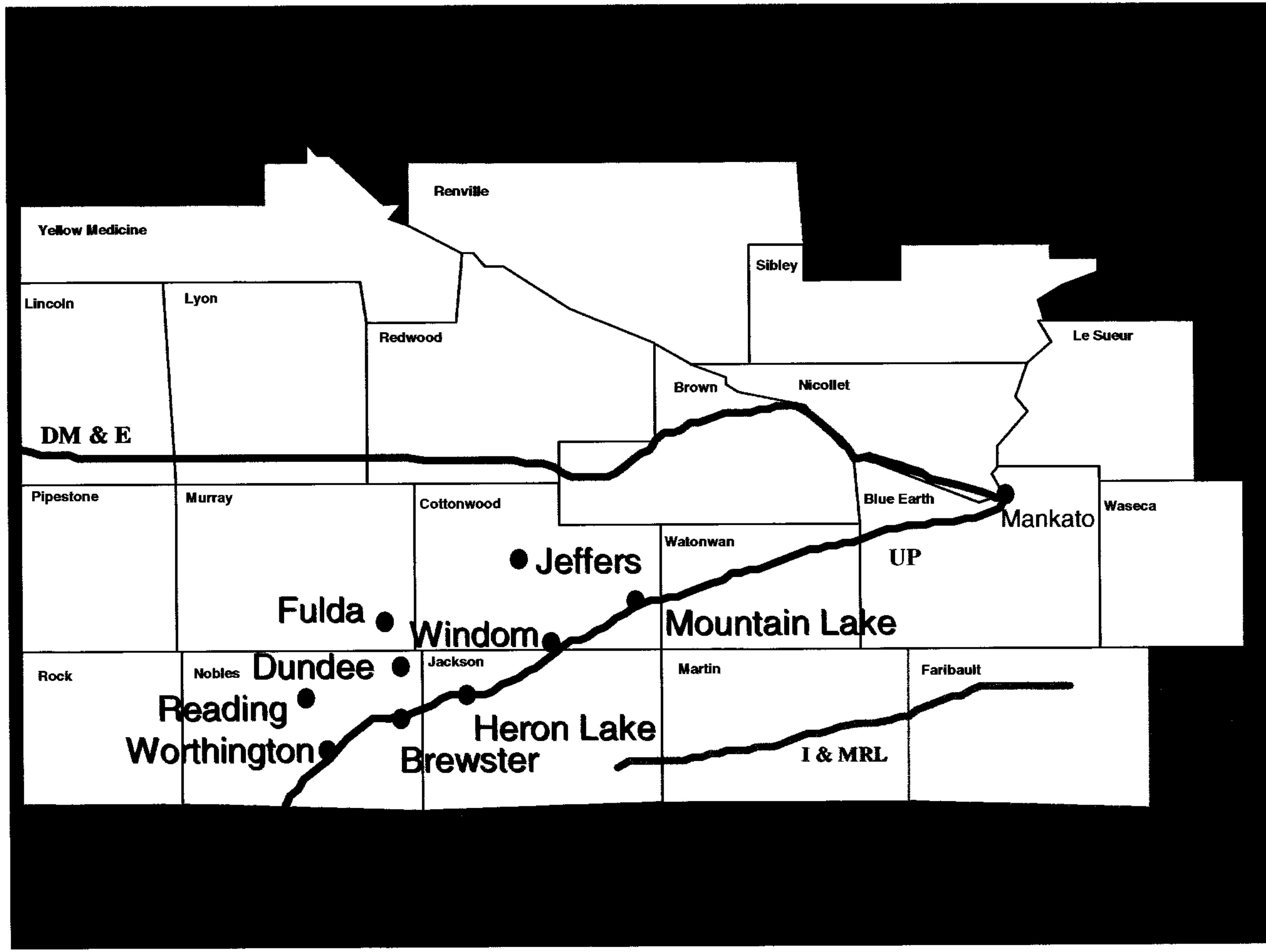
Attachment B: Map of Southwest Minnesota, New Vision Locations

Attachment C: Map of Southwest Minnesota, New Vision Shuttle Loading Stations along with county average annual production totals for corn and soybeans

Attachment D: Map of United States, New Vision Primary Grain Destination Markets

LEADING AGRICULTURE INTO THE FUTURE

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Reading
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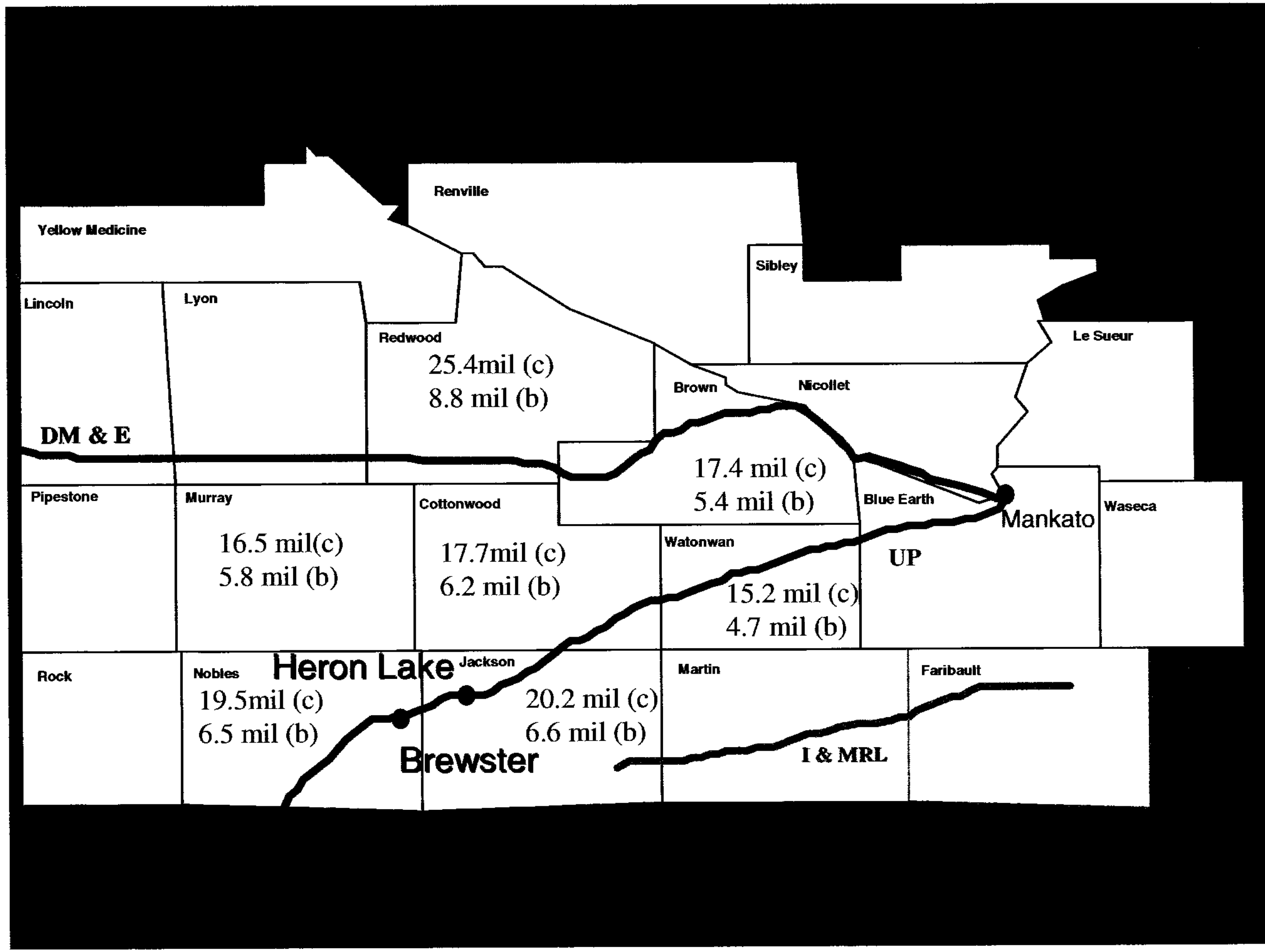
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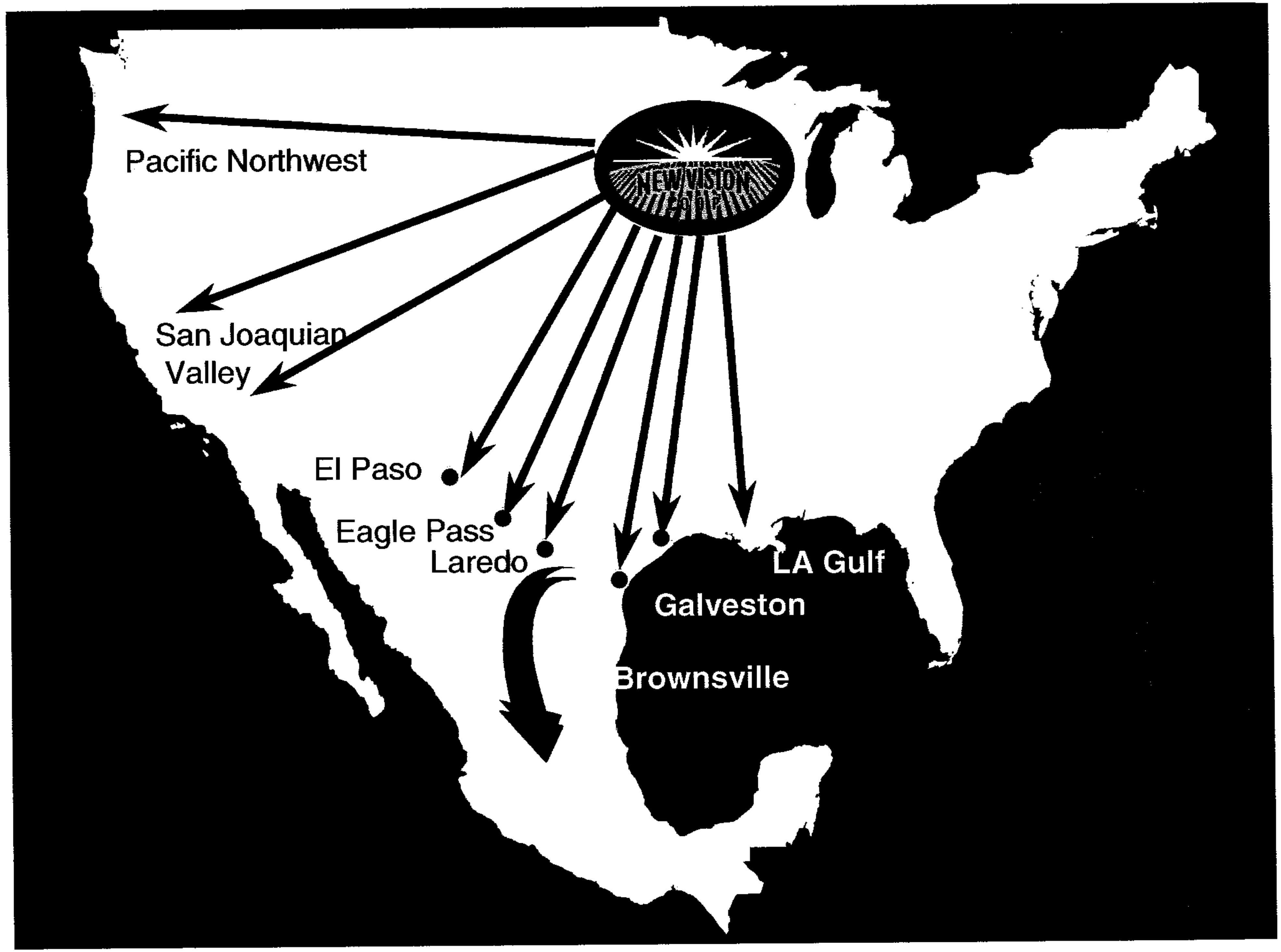
Pacific Northwest
San Joaquian
Valley
El Paso
Eagle Pass
Laredo
Galveston
LA Gulf
Brownsville